



# NEWS RELEASE

CALIFORNIA STATE TREASURER PHILIP ANGELIDES

**FOR IMMEDIATE RELEASE**

May 16, 2001

## **STATEMENT OF TREASURER ON ENACTMENT OF PUBLIC POWER BILL**

SACRAMENTO -- State Treasurer Philip Angelides issued the following statement upon the signing today by Governor Davis of legislation creating the California Consumer Power and Conservation Financing Authority. The legislation – SB 1X 6 – was authored by Senate President pro Tem John Burton, and was sponsored by the State Treasurer:

“The creation of a State power authority marks a watershed in California’s struggle to regain control over its own energy destiny. This legislation will help ensure that California is never again held hostage by an unregulated private energy market run amuck.

“The power authority will help restore rationality and stability to our energy markets by creating an energy reserve for California and by financing new generation and conservation for the benefit of the people of California.

“In 1996, when California deregulated the electricity industry, it ignored important lessons of the 20th Century. The State turned its back on a legacy of public investment, public power, and utilities regulated in the public interest. Hopefully, this new law represents the beginning of a rational State energy policy that meets the needs of our growing population and economy, and that protects the public.

“I am grateful to Senator Burton for his leadership on this critical issue, and I applaud the Governor for taking this important action for California’s future.”

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**CALIFORNIA CONSUMER POWER AND  
CONSERVATION FINANCING AUTHORITY – SBX1 6 (Burton)**

**The Legislation:**

SBX1 6, authored by Senator John Burton and sponsored by State Treasurer Philip Angelides, creates the **California Consumer Power and Conservation Financing Authority** (the Authority). The Authority is being established for the purpose of building the State's energy supplies and financing conservation efforts, with the goal of creating energy capacity reserves for the California market. These reserves will serve to help ensure reliability of energy supplies and to stabilize utility rates. The Authority will finance new generation and renewable energy and conservation efforts to supplement private sector activity in the energy capacity and conservation arenas.

Specifically, the Authority is authorized to do the following:

- **Bonds.** Issue \$5 billion in taxable and tax-exempt bonds to finance authority programs.
- **Generation.** Finance, deliver, own and operate generation capacity (on its own accord, through public and private third parties, or joint ventures with public and private entities) to supplement new private sector supply. In addition, the Authority may provide financing for natural gas storage and transportation. The Authority is authorized to work through and in conjunction with municipal utilities. Power created by generation sources financed by the Authority would be sold at the cost of service and dedicated to the California market.
- **Renewable Energy and Conservation.** Make available, through the utilities and other third parties, low cost loans to consumers and businesses for renewable energy and conservation.
- **More Power, Less Pollution.** Provide financing for new power capacity at existing power plant sites where there are currently aging, inefficient, and polluting power plants.
- **Governance.** Five members
  - 4 appointments by the Governor and confirmed by the Senate
  - The State Treasurer

**Background:**

California faces an energy crisis, which threatens the State's economy; the pocketbooks of consumers; and the well being of large and small businesses. The stability and reliability of energy supplies and prices are fundamental to the State's long-term economic health, sustained growth, and the ability of families to live within their budgets.

The State of California must act to restore balance and rationality to the marketplace -- recognizing that energy is a fundamental necessity of our society and economy and that the State has a critical role to play in financing and delivering the energy infrastructure required for California's future. SBX1 6 responds to this challenge.

There are a variety of causes for today's crisis -- among them, a supply/demand imbalance, rising natural gas costs, and the refusal by the Federal Energy Regulatory Commission (FERC) to regulate wholesale prices. In the context of the newly deregulated energy markets, California consumers face a spiraling staircase of utility rate hikes in the months and years ahead, unless strong and meaningful steps are taken. Over the long term, the very nature of the marketplace -- without appropriate protection of the public interest -- will subject California consumers and businesses to spikes in prices that can harm families and destabilize businesses. Further, market volatility and energy shortages will threaten the State's sustained economic progress.

Today's energy crisis is in many ways indicative of the infrastructure challenges, which California faces in the decades ahead. During the next 20 years, California's population will grow by over 12 million, along with the addition of 5 million new jobs and 4 million new households. This continued economic and population growth will require public and private investments in the infrastructure -- from energy to transportation to public schools to parks -- required for sustainable growth and continued quality of life.

In June 1999, this office released *Smart Investments*, a report which called for a state infrastructure investment policy to respond to the challenges of California's projected growth. Now is the time for the State to implement a long term energy infrastructure financing plan, which helps ensure adequate energy supplies and stabilize utility rates by supplementing private sector generation of new power sources and by financing renewable energy and conservation efforts. SBX1 6 is an integral part of such a plan.